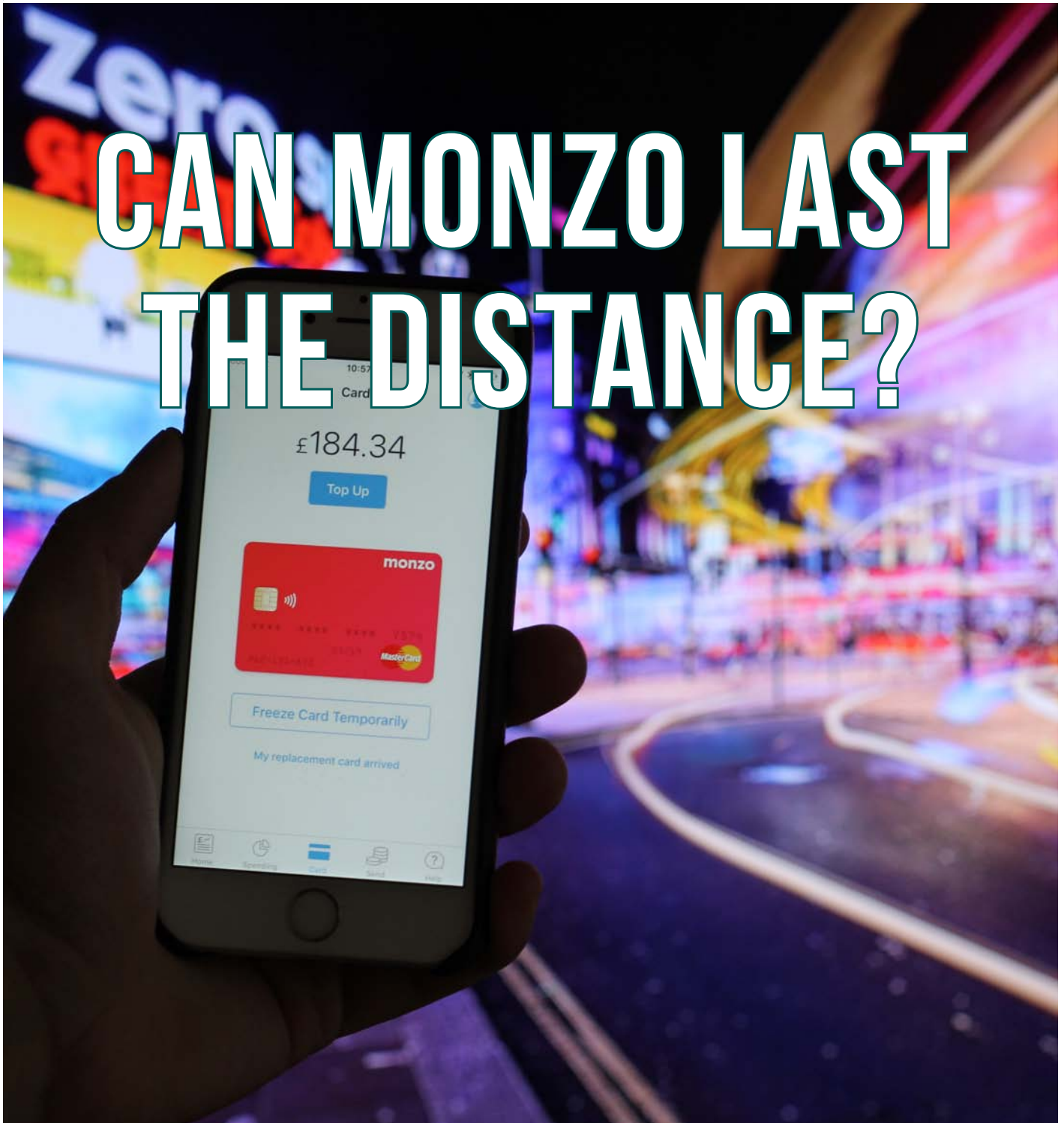


RETAIL BANKER

INTERNATIONAL

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THIS MONTH

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MONZO: HERE TO STAY?



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TSB SETS ITS SIGHTS ON EUROPEAN FIRST



Douglas Blakey, Editor

Let's hear it for TSB. The UK-challenger brand will roll out iris-scanning tech for its m-banking app in September.

TSB will become the first European bank to go live with iris biometric authentication.

At launch the service will only be available to customers with Samsung's flagship S8 handset. The iris technology utilised by the bank is also supplied by Samsung.

According to the bank, iris recognition takes advantage of 266 different characteristics, compared with 40 for fingerprints.

The report *Deploying Mobile Biometrics in FS*, published earlier this year by Opus Research and Mastercard, found that m-banking users can have up to 90 passwords. It also noted that 51% of passwords are used at least twice and 25% of users forget at least one password per day.

TSB's initiative will do away with the need to remember lengthy IDs or passwords.

There is ample evidence to support the argument that there is consumer appetite for biometric authentication. Opus's report noted that 135 million people around the world had enrolled for services that use their voice to speed up authentication. Bank customers account for more than half of this figure.

The iris recognition launch represents a PR win for TSB and boosts its position as a tech differentiator in an increasingly crowded UK current account market.

As covered in this issue (page 7), neobank Monzo is set to launch its eagerly awaited current account.

The TSB move is also one in the eye for industry critics who never tire of telling the writer of how much UK banks can learn from innovative European markets. Poland, Turkey and Spain are usually mentioned in the next sentence.

On a similar theme, news of TSB's launch coincided with release of EY's latest fintech adoption index. If you have not read same, I commend the report. It also contains positive news from a UK perspective.

Globally, fintech users have moved from early adopters in EY's first such report in 2015 study to an early majority in 2017.

Overall, 33% of the surveyed population indicate they are regular users of fintech services, showing just how much fintech has grown and become accepted among consumers.

China and India rank top in the survey, but of the mature markets, the UK ranks top with 42%, ahead of Spain (37%) and Germany (35%).

One or two interesting geographical comparisons jump out; while the US ranks just above the global average with 35%, neighbouring Canada scores a modest 18%. Singapore also scores modestly with only 23% despite huge fintech efforts from its banking sector and government.

That 23% figure can be expected to grow rapidly in the short- to medium-term. The EY survey covered 20 markets, with a consumer sample of 20,000.

On the basis of anticipated future use, EY forecasts a global average of 52% of consumers using fintech.

That seems a fairly safe bet. ■

GET IN TOUCH WITH THE EDITOR AT: DOUGLAS.BLAKEY@VERDICT.CO.UK

THE TECH 'BIG FOUR': ARE RETAIL BANKS UNDER THREAT?

Google, Apple, Facebook and Amazon (GAFA) could pose a significantly greater threat to traditional UK retail banks than existing challenger banks and fintech startups. *Douglas Blakey* looks at new research by Peru Consulting

The *Retail Banking IT – Turn to face the change* report, published by Peru Consulting, finds that 57% of retail banking senior technology leaders surveyed think it is likely or very likely that GAFA companies will enter the UK retail banking sector in the next five years.

But, the report adds, the potential risk posed by GAFA innovation is seriously underestimated by banking IT leaders.

Report author Ian Robinson, principal consultant at Peru Consulting, tells *RBI*: “Consumers increasingly expect to receive a highly personalised service from their retail banks in line with their positive experiences with online retailers.

“GAFA companies have already harnessed big data analytics and algorithmic programming to provide targeted offers to individual customers. Retail banks will need to be aware of the power this brings.”

The suggestion that we might witness a Bank of Google or Facebook is not a novelty. As long ago as 2013, Francisco Gonzalez, CEO of BBVA, told the *FT*: “Some bankers and analysts think that Google, Facebook, Amazon or the like will not fully enter a highly regulated, low-margin business such as banking – I disagree.”

And in 2014, respected commentator Jim Marous wrote: “Google, Apple, Facebook and Amazon should terrify banking.”

The standard arguments, regularly advanced at conferences, roundtables and the like by many, including this writer, are that the GAFA outfits will not become fully fledged banks because of regulation. Yes, the GAFA firms have become active at the fringes in payments and money transfers. Amazon has launched a credit card and lent increasingly to SMEs.

But can you really see Google, for example, going from state to state, country to country, gathering banking licences on its way, to enable it to accept deposits and become an outright competitor to existing banks?

A report, *Why Google Bank Won't Happen*, from Forrester concluded that due to costs, strict regulation and the important ad revenue from banks, internet firms are better placed to take on a support role in financial services than to become a provider.

“These firms can improve the relationship between banks and their customers by offering payment services, financial advice, and product comparisons,” said Forrester.

The Peru report finds a surprisingly high – some, including this writer, would argue an implausibly high – willingness to switch banks in the next 12 months, among its sample of 1,000 UK consumers. Current switching rates, despite the successful roll-out of seven-day switching, are running at around 3%, with about 1.3 million adults switching their main current account provider in the past year.

Peru reports that “38% of 18-24-year-olds and 41% of 25-34-year-olds set to change the bank that provides their main account, with 26% of 45-64-year-olds planning to take the plunge and switch providers”.

When consumers were asked why they might consider switching to GAFA companies, the main reasons they gave were an increased likelihood of better technology and more innovative products and services.

“Consumers told us switching to GAFA companies would be for better technology and more innovative products and services; senior IT leaders thought this was the least likely reason to switch. This could be a dangerous blind spot for banks,” adds Robinson.

The report is on firmer footing discussing the introduction of open APIs, identifying that this will “increase the pressure on traditional banks and their technology teams. At a business level, they must respond with the development of new services and improved user experiences.

“At a technology level, they will have to ensure that open APIs do not create increased security risks to either their own organisation or customer data.”

The report concludes with five steps that traditional banks can take to adjust to a fast-changing business environment:

- **Have a clear purpose:** The technology strategy must fully support the business strategy and be clear and simple enough to everyone in the team to embrace and deliver. Everyone, both in-house and outsourced, needs to understand their role in minimising the time and money-sapping demands of unforeseen operational events;
- **Security is everybody's objective:** Good management, user education and governance can help mitigate security risks. The research found room for improvement: A third of retail bank senior technology leaders believe their organisations do not review cybersecurity policies regularly, or do not know if they do or not; 55% do not know or do not believe banks refresh IT policies regularly enough;
- **Keep it simple:** Periodic review of the number of systems, networks and partners can reveal enormous inefficiencies in any organisation. Reworks can be expensive but they can either result in a reduced cost base or create the space to invest in growth;
- **Winners have strong partnerships:** Truly successful technology teams build deep and enduring partnerships with their supplier base. KPIs must be appropriate and measured, contracts and commercials must be fit for purpose. The research shows that only 60% of IT leaders believe banks undertake regular reviews of IT and telecoms supplier contracts, leaving a substantial proportion unreviewed, and
- **Build the right team:** Where there are skills gaps it is important to consider all the options in addressing the problem. There are critical skills shortages in the market due to a reliance on legacy technology and the perceived attractiveness of alternative employers. The situation is unlikely to become any easier, but incremental gains can be achieved through a review of the overall talent management strategy, and a refresh of the organisational design. ■

CHALLENGER PROFILE: IS MONZO SET TO SUCCEED?

Challenger banks and fintech startups are constantly unveiling offerings to excite customers. Real-time updates, free banking and more are all trying to earn market share, but can they make money? *Patrick Brusnahan* investigates

In the year ending 28 February 2017, much-hyped startup bank Monzo reported a loss of £6.7m (\$8.6m). This is over four times the £1.4m loss reported in the year previous.

However, customer growth looks good for Monzo. When the results were released, Monzo had acquired 240,000 customers.

Speaking to *RBI*, Tom Blomfeld, CEO of Monzo, says: "Customer growth has actually accelerated. In the last six months, from January to June, we have averaged user growth of 5% week-over-week, and almost entirely organically.

"We're not paying to acquire users and we are growing rapidly. Even since we published results, we hit 270,000 accounts.

"That's a really good sign that we are able to acquire the volume of users that we need without having to pay customer acquisition, which for a bank may usually be £100-200."

TOO MUCH TOO YOUNG?

Quick growth has its downsides. Monzo has not fully launched its current account; there are 92 at the moment, with a target of 20,000 in the next three months. This means that the large majority of Monzo's customers are on their prepaid account, and actually costing Monzo money.

"We are absolutely losing money per user, and as we grow our users faster, we lose more and more money," Blomfeld explains.

"It is not something we are worried about, but it does mean we will go out and raise more capital than we originally intended and sooner than we originally intended.

"It is hard to say exactly how much. At the low end, between £20m and £25m, but at the

high end, a number a lot larger than that."

So how can Monzo lower the costs of keeping their customers? And even make a profit? Something needs to happen soon before problems arise.

Moving to Monzo's technology could certainly help stop the outage that the prepaid service has seen, making the prepaid account useless until back online.

Blomfeld says: "By the end of the year, everyone will be on the current account. We are intending to shut the prepaid card down entirely by the end of 2017.

"A prepaid card currently loses in the region of £40-50 per year per customer. By moving to the current account, the loss goes to about £20 simply because we are running it through our own technology.

“
MONZO IS NOT
COMMERCIALLY
LOOKING AT THE
OVERALL IMPACT.
IT IS DELIGHTING ITS
CUSTOMERS, BUT YOU
CANNOT LOSE £8M
A YEAR FOR VERY
MUCH LONGER

"The challenge for next year is to add £10 of revenue per customer, that is through things such as overdraft lending," Blomfeld adds.

"Over the next two years, we certainly want to make progress from loss per customer to profit per customer."

TOWARDS PROFIT

Another startup, Cashplus, recorded very different results. 2017 saw the firm take in £5.6m in profits – the sixth year in a row it has turned one. It has also garnered 1.6 million UK customers since its founding in 2004, with approximately 170,000 of them actively using the account's card.

How has it managed to create a profit in a time of major competition? Cashplus's CEO, Rich Wagner, tells *RBI*: "I hate to say we are 'this' and others are not, but we do have a very strong business discipline.

"You look at the customers you have and the customers you want. Then, you validate what those customers need and you deliver products in a way that services what they need that others don't do in a consistent way. We have proven that over the last six years."

One advantage that Cashplus has in comparison to Monzo is that it is not a bank. As such, it does not have to pay the heavy fees required of banks.

Wagner explains: "We would consider ourselves a bank, but the regulator does not. We certainly see ourselves as offering banking solutions to customers and we do it through regulatory permission with our e-money license and our consumer credit license. The whole thing really is a bank account now."

While Wagner does not see regulation as a benefit, he states that one advantage Cashplus maintains is its collection of fees.

"With us, you will be charged for a product," Wagner adds. "We do not try to charge hidden or surprise fees.

"Monzo consciously went out with a free card, free transaction fees, free ATM usage, and free forex. It is trying to make it all free for the customer – something we would all love to provide.

"I know the high street banks say that they provide free banking, but the Treasury says that the average free bank account costs £151 a year. There is no such thing as free banking."

Wagner concludes: "When Monzo says 'I need to offer free banking', it is not commercially looking at the overall impact down the line. It is delighting its customers, but you cannot lose £8m a year for very much longer." ■

SCOTIABANK: AIMING TO GO TOP IN DIGITAL AND CUSTOMER EXPERIENCE



In the next five years, Scotiabank wants to be the leader in customer experience and digital banking in its five core markets – Canada, Chile, Colombia, Mexico and Peru. Ignacio ‘Nacho’ Deschamps, Scotiabank’s group head, international banking and digital transformation, tells *Robin Arnfield* about the bank’s digital transformation plans

Based on a technology investment of C\$2.6bn (\$1.95bn) over the next three years, of which half will be spent on digital, Scotiabank wants to achieve at least 70% digital adoption by its customers by 2021.

It also wants to see at least 50% of products being sold digitally, and in-branch financial transactions accounting for under 10% of total transactions by 2021.

Meeting these digital goals will enable Scotiabank to achieve an all-bank productivity ratio of 50% or better by 2021, down from 54% today, Deschamps says.

“While our digital strategy is very ambitious, we’ve developed very clear metrics to enable us to measure our success,” he says.

In May 2016, Scotiabank, which has 29 subsidiaries across Latin America and the Caribbean, was recognised by *RBI* as the global bank with the best digital strategy for 2016 at the magazine’s London awards ceremony.

Canadian Banks Digital Transformation & Maturity Level, a February 2017 report by IDC Canada analysts Robert Smythe and Jason Bremner found that RBC Royal Bank

of Canada and Scotiabank are the Canadian banks that are most focused on financial technology.

ORIGINS

Deschamps joined Scotiabank as strategic advisor for global digital banking to president and CEO Brian Porter in January 2016.

He had previously led BBVA’s digitisation initiatives as a member of the Spanish bank’s global executive committee, and chair and CEO of its Mexican subsidiary BBVA Bancomer. Deschamps was also head of South America and global head of retail banking at BBVA, and president of the Mexican Banking Association.

Appointed group head, international banking and digital transformation in February 2016, Deschamps oversees Scotiabank’s personal, small business and commercial banking operations globally outside Canada. He also has executive responsibility for Scotiabank’s digital transformation.

“I’m very impressed with Scotiabank’s commitment to the digital transformation

process,” Deschamps says. “Scotiabank has full alignment for this, starting with its board and management team, which is why we have good momentum in digital.”

“Brian Porter is very cognisant of the need for Scotiabank to change the way it operates,” notes Smythe. “Unlike BMO Bank of Montreal, for example, Scotiabank has taken a very public stance as to what it’s doing with digitisation.

“Also, whereas some banks have a lot of people with ‘digital’ in their title, making digital accountability unclear, Scotiabank is fairly contained in the chain of command for digital. It has one person, Deschamps, who is ultimately accountable for digital.”

CUSTOMER EXPERIENCE

Digital banking is all about the customer experience, Deschamps stresses.

“Banks like Scotiabank have many channels for interacting with customers,” he says. “Digital isn’t the largest channel, but it’s the most critical in terms of innovation. This is because, through real-time digital interaction with customers and co-creation with them,

we can get more closely and more quickly to what customers need. We can then extend our digital tools to other channels as they are transformed by technology.

“My vision is that, in the future, there will be a very strong convergence between the digital tools customers use for financial services and the tools our employees use in physical channels to make the client conversation more fruitful.”

Scotiabank has developed and deployed a customer experience (CX) management system in its branches, contact centres and digital channels in its five key markets of Canada, Chile, Colombia, Peru and Mexico. The bank refers to the CX system, which is based on software from customer feedback specialist Medallia, as a net promoter system.

“Our CX system is designed to provide constant feedback from customers, so that, based on this feedback, we can call customers back, and prioritise investments and business decisions,” says Deschamps.

The CX system includes post-interaction surveys, customer callbacks, providing digital coaches to customers, a dedicated CX team, and empowering front-line staff to act on and escalate issues identified by customers.

STRATEGIC DESIGN

“Our strategy in Canada and across our LAC subsidiaries is to speed up our design capabilities for web and mobile banking to meet customers’ requirement for a more intuitive, faster interface enabling them to meet their banking objectives,” explains Deschamps.

“Our advantage is that we’re executing a single digital strategy in our five key countries, and that we have a technology policy of ‘build once, deploy many times’. For example, the digital solution we’ve built for personal loans in Chile will be exported to other countries.”

Scotiabank has opened digital factories in Canada, Chile, Colombia, Mexico and Peru over the last few months.

“Our digital factories aren’t technology labs separate from our company where we build toys to show off our progress,” says Deschamps.

“Their purpose is to enable us to transform ourselves in an effective manner, and this requires new talent and an agile way of innovating. Our digital factories are workspaces where digital experts and banking experts collaborate in small teams we call scrums with specific goals to drive digital sales in our banks in our various markets.”



Ignacio 'Nacho' Deschamps, Scotiabank

Deschamps says that, when one digital factory exports a solution to another Scotiabank subsidiary, the digital factory in the receiving country adapts the solution to local market requirements such as underwriting criteria and local regulations.

“We’re testing new technology in our digital factories to provide more resourceful self-service options to customers and to enable customers to connect, when needed, in a smart way to other customer service channels,” Deschamps explains.

“We can see an opportunity to use voice recognition and AI-based chatbots for customer service. Of course, customers love intuitive smart self-service, but, at some point, they may need to talk to a human being. So, it’s important that the mobile, call centre and other channels are connected.”

CHANGING CULTURE

“We’re building a much stronger customer culture and are driving a cultural change,” says Deschamps.

“The goal is to align ourselves with our customers and to build high-performing teams that attract the right talent for our digital transformation. You don’t only need digital marketers, data scientists, software developers, and design thinkers to build a great mobile

platform for clients, you also need very smart banking experts.”

Scotiabank recently appointed digital banking heads in its five key countries, Fuencis Gomez (Mexico), Marcelino Herrera Vegas (Colombia), Daniel Kennedy (Chile), Jeff Marshall (Canada), and Luis Torres (Peru).

“These digital banking heads are very senior members of the bank and are responsible for managing innovation for their retail and SME customers,” says Deschamps.

“But they don’t work on their own, as they are part of an ecosystem reporting to Shawn Rose, who is EVP of digital banking globally [who reports to Deschamps].

“This ensures that, when we build a digital tool in one country such as Canada, it can be exported to other countries.”

ROLLOUT

Scotiabank has been rolling out its new digital banking platform, which offers more personalised services such as online advice, tools and pre-approved products, across its international operations.

So far, the new online and mobile platform is live in Mexico, Panama and 20 Caribbean countries, with around 800,000 customers using it. It was scheduled to be available in Chile in May 2017.

“Our new digital platform is well connected with our branch networks in order to help customers use our new services,” says Deschamps. “Having branches is a huge advantage, as digital adoption requires a lot of customer training. When our branch staff help customers perform for the first time online bill payments or obtain account information online, that completely changes the way customers interact with us.”

Deschamps says Scotiabank Canada started its digital transformation ahead of the bank's other markets. “Scotiabank Canada has made a huge innovation in two services that are very important for Canadians – you can now open bank accounts and credit cards fully online in Canada,” he says. Both Scotiabank Canada and Mexico have partnered with US-based SME lending platform Kabbage to provide online small business loans.

“We’re targeting small business clients who have chequeing accounts but not lending accounts to offer online loans that can be opened in minutes,” says Deschamps. “This means the client doesn’t need an interview with a lending officer.”

OPTIMISM

“I’m optimistic about the growth of digital banking in the Pacific Alliance countries,” says Deschamps.

“The population of Chile, Colombia, Mexico, and Peru have a median age of 30 years old, and these four countries are seeing rapid growth in smartphone adoption. Soon there will be as many smartphones as people in the Pacific Alliance countries. Young people in these four countries need to use digital banking solutions, as these countries have a lower number of branches per population than Canada.”

Chile is the Scotiabank market with the most advanced digital sales in the Group, notes Deschamps. “In Chile, which has nearly 100% internet penetration, we’re making a lot of progress in selling personal loans, term deposits, and other products digitally,” Deschamps says.

“Also, we’re promoting online term deposit renewals in Chile. Scotiabank Chile is now seeing 70% of all term deposits renewals being performed digitally, which saves time for customers and costs for us.”

Scotiabank’s Canadian digital-only subsidiary Tangerine, which has two million customers, is a key asset for the bank’s digital transformation, says Deschamps. “Tangerine is really another digital factory, as its innovation

“ WHEN OUR BRANCH STAFF HELP CUSTOMERS PERFORM FOR THE FIRST TIME ONLINE BILL PAYMENTS OR OBTAIN ACCOUNT INFORMATION ONLINE, THAT COMPLETELY CHANGES THE WAY CUSTOMERS INTERACT WITH US

team is deeply connected with our other digital teams in Scotiabank to leverage new technologies.”

DATA AND ANALYTICS

“We’ve made a big investment in data analytics,” says Deschamps. “Marketing has become a data-driven activity, and in digital banking everything has to be measured, starting with customer adoption of our new services.”

“One big opportunity we’re leveraging with our digital factory experts is risk analytics to upgrade our capabilities for digital sales on the web and on mobile. In the past, whenever an existing bank customer applied for a new lending product, the bank would start from scratch. But we’re leveraging our understanding of our customers’ payment behaviour, so we can pre-approve loans such as new lines of credit for a car, a new mortgage or a new credit card.

“Pre-approvals will be a huge driver of sales and offer a better customer experience. There’s no point in asking an existing customer to take 10 steps to complete an application, when we already know them and, with one click, can offer the same outcome.”

Scotiabank’s Canadian digital factory has developed the Customer 360 analytics tool which enables the bank to make more relevant offers to customers. “The tool has initially been made available in Canada and will be

deployed in three months’ time in Chile and subsequently in the other Pacific Alliance countries,” Deschamps says.

“It takes into account all the information we have about a customer so we can be much more relevant in the value propositions we offer them such as pre-approved loans. Also, we can solve problems for customers in a more relevant and intuitive way, and can anticipate their needs and the new financial services they are looking at.”

CYBERSECURITY

Scotiabank is among the Canadian banks which last year invested in SecureKey, a Canadian technology start-up developing a blockchain-based federated digital ID network for Canadian consumers and businesses. The bank has also signed up to support the SecureKey ID network, which, when launched, will offer a single sign-on alternative to consumers instead of having to remember multiple identity credentials.

“We’ve invested a lot of money in cybersecurity, including a C\$2m donation to the Scotiabank Cybersecurity and Risk Analytics Initiative at the University of British Columbia,” says Deschamps.

“It makes sense that some cybersecurity activities are industry-wide and some are tools that we develop for our customers.

“I was in Israel recently looking at cybersecurity companies, as Israel has a great technology startup ecosystem and is very strong in cybersecurity. We’re developing some partnerships in Israel, as we’re very interested in the security and fraud-prevention technologies developed there.”

FINTECH COLLABORATION

“We don’t see fintechs as competition,” says Deschamps. “We have to learn a lot to learn from them, which is why our digital strategy includes fintech partnerships.”

Scotiabank has partnered with venture capital firm QED Investors to invest in fintech startups in Latin America which improve the customer experience. “Through our fund with QED, we’ve invested in three fintech companies so far,” says Deschamps. “In some cases, we will mentor a fintech, partner with them or buy services from them.”

Scotiabank has also invested C\$15m in a US-Canadian venture capital fund developed by Georgian Partners, whose theme is investments related to artificial intelligence, security, and messaging-based interfaces. ■

CUSTOMER EXPERIENCE: STANCHART RUNS AWAY WITH AWARD

With a new Service Excellence Model as part of efforts to build service excellence and a client-centric strategy, StanChart has seen a marked decline in complaints and a huge increase in compliments, reports *Douglas Blakey*

In a number of categories, the voting was close; not so the award for Best Customer Experience Business Model. The runaway winner at the third annual Customer Experience in Financial Services Awards 2017 was Standard Chartered.

StanChart's Service Excellence Model launched last year with the aim of proactively delivering service excellence, in contrast with previous years where it was reacting more to client complaints and feedbacks.

In a competitive banking landscape with changing client expectations, StanChart wanted to differentiate itself from competition and increase client satisfaction.

Clients were looking to be impressed rather than just being satisfied. What was required was a way to reframe the bank's approach while leveraging the strengths of its current practices. The goal was to move from being a solution provider on client feedback, to be a leading bank that delivers best-in-class service at every point of interaction.

With a view to improve the client experience, the bank engaged external consultancy EY to review and audit its complaint-management records and processes. This review equipped the bank with a set of thorough recommendations spanning multiple areas and functions internally. These eventually went towards helping the bank develop its Service Excellence Model.

StanChart's research with EY gave rise to various recommendations relevant to the entire complaint management and Root Cause Analysis (RCA) process. It also helped identify potential weaknesses and opportunities in the way the bank works.

Acting on recommendations from EY, it embedded '5-Whys' into its RCA process

– an iterative interrogative technique used to explore cause-and-effect relationships underlying problems.

This technique helped highlight processes that were not working well, and identified gaps. This helped to shape an ongoing framework for the bank to gain client insights on a wide range of actionable areas.

Based on the EY recommendations, it conducted a brainstorm with senior management and after a lengthy review, identified various areas that needed long-term focus on improving.

Key findings included:

- Some processes were not client-friendly and could be better structured or streamlined;
- Some existing system constraints generated pain points in bank processes for clients and frontline staff;
- A stronger service culture was needed to encourage staff to take the initiative and treat clients fairly;
- Crafting a single theme and concept: to "make banking, simple, better and faster for clients", and
- "Voice of clients": Recognition of the value of insights in creating an ongoing feedback loop that would add value to its improvement efforts. StanChart retained its existing RCA process to deliver insights and actionable data while it looked for further ways to enhance the insight generation engine within the bank.

StanChart took inspiration from Ritz Carlton's Gold Standards to formulate its own Service Commitment, a unifying set of ideas which articulated its goals to staff of all levels and how each individual can contribute.

A set of programmes was launched to help employees understand how to practise its Service Values.

A Service Commitment letter and card signed off by the bank's CEO were distributed to staff, incorporating the Service Commitment framework. This strengthened levels of engagement between employees and the Service Values.

In addition, to supplement its engagement efforts through positive reinforcement, the bank rolled out a Thank You programme to reward every staff member with a coffee treat from the CEO for every positive gesture of appreciation received, no matter how small. It also developed a larger quarterly incentive award, the CEO Service Challenge, to recognise outstanding service individuals.

As part of the roll-out to promote new branch standards, training sessions at every branch were led by the CE team.

Other initiatives included:

- The launch of new state-of-the-art videobanking and 'click to chat' platform, to meet the needs of increasingly tech-savvy clients in the market. Proactive measures were also taken to simplify processes involved in everyday banking by reducing the volume of traditional counter transactions and diversifying its channels;
- A Digital Ambassador Programme was set up in branches with digital evangelists promoting the digital channels to customers, and
- A new automated SMS survey was launched enabling the bank to measure client satisfaction levels for every service request raised.

Two key indicators of client experience are complaints and compliments. The bank's client experience was shaped through two phases: a strong focus on fixing legacy issues from previous years, and driving service excellence in 2016.

The results? In a word: outstanding. Average complaints fell by a whopping 32% in 2016, and total complaints per thousand accounts more than halved from 0.22 in 2014 to 0.1 in 2016.

There has also been a sharp increase in the volume of compliments, rising nearly tenfold since the end of 2014. The bank moved from roughly one compliment received for every five complaints in 2014, to around three compliments for each complaint in 2016.

Lastly, the number of complaints closed at the frontline without the need for escalation for special handling soared from 21% in 2014 to 80% in 2016. ■

ADOPTION ANALYSIS: HOW FINTECHS ARE SHIFTING CANADA'S REGULATORY SCENE

Canada has an opportunity for international fintech leadership if it ensures its financial regulations do not stifle innovation and competition in the sector. A flourishing fintech industry will act as a driver of economic growth and job creation. **Robin Arnfield** reports

C

anada has seen low consumer adoption of alternatives to incumbent financial institutions.

According to a 2017 Ernst & Young fintech adoption survey, 18% of digitally-active Canadian consumers had used at least two fintech products – transfers, payments, savings or investments – in the previous six months compared to 33% globally.

“Canadian consumers are too satisfied with their banks and trust them too much to switch to an upstart because of lower fees and even superior features,” says Robert Smythe, an associate with IDC Canada.

INVESTMENTS

Canadian fintechs have attracted substantial investments. The March 2017 edition of US consultancy First Annapolis's *Navigator* newsletter says that over C\$1bn (\$727m) in venture capital was invested in Canadian fintechs between 2010 and August 2015.

“In parallel, major financial institutions in Canada aren't standing by idly,” wrote First Annapolis consultant Peter Lischick. “While some still compete directly with fintech startups, others are embracing innovation either by partnering with startups or by developing their own proprietary solutions.”

Canadian alternative financial services providers include mobile-enabled prepaid card issuers Koho and Mogo; blockchain tech firm BTL; robo-advisory firms Nest Wealth, which has partnered with National Bank of Canada, Responsive.AI, and Wealthsimple; and alternative lender Borrowell, which has partnered with CIBC.

WORKSHOP

Canadian financial regulators and industry stakeholders collectively agreed at a February 2017 Competition Bureau workshop that they must collaborate on the right policies and regulations for innovation to flourish in Canada's fintech sector.

The Competition Bureau, an independent agency which enforces Canada's Competition Act, held the workshop to provide input into its current fintech market study.

Scheduled to be published in late 2017, the study will examine the competitive impact that fintech has on the Canadian financial sector, the possible barriers to entry faced by startups, and whether regulatory reform is needed to promote greater competition while maintaining consumer confidence in the sector. It will focus on three areas:

- Lending: peer-to-peer and small/medium

business lending, including crowdfunding;

- Payments/payment systems: using technology such as e-wallets/mobile wallets to pay for goods and services, and the systems enabling payments between institutions (clearing and settlement), and
- Financial advice: robo advisors and online investment dealing, for example.

DEPARTMENT OF FINANCE

Separately to the Competition Bureau's initiative, Canada's Department of Finance is conducting a two-stage consultation for its federal financial sector regulation review, asking stakeholders questions about fintech, innovation, and competition. The review is intended to ensure a financial sector legislative and regulatory framework that supports financial stability, efficiency and utility.

“The department is in the process of absorbing submissions from a wide range of stakeholders from the first consultation and plans to post submissions in the future,” a spokesperson says. “Stakeholders will have the opportunity to comment on specific proposals for reform in a second consultation paper planned for 2017.”

The Department of Finance's 2017 Budget includes a commitment to supporting fintech

and to working with provincial regulators to better coordinate and share information on financial innovation.

“To promote a well-functioning payments system that fosters innovation and better protects consumers, the Government will also release a consultation paper on a new retail payments oversight framework in 2017,” it said. “Based on the results of its consultations, the Government will propose legislation to implement the oversight framework.”

BARRIERS

Reasons cited by workshop participants why Canada's fintech sector isn't realising its potential, include:

- Lack of trust in new alternatives to Canada's big banks;
- Consumer complacency;
- Challenges for Canadian fintech companies in growing their business to a global scale;
- Restrictions on access to data and banking infrastructure, and
- A regulatory framework that is often complex, fragmented, prescriptive and doesn't sufficiently account for changing technologies. There are varying mandates and differences in regulation across and within jurisdictions, and between provinces and countries.

“Our decision to look at fintech was made independently of any broader policy direction the Government is undertaking on fintech,” says Julien Brazeau, the Competition Bureau's associate deputy commissioner.

“Our role isn't to act as a regulator but to advocate to regulators on how to take pro-competitive approaches to regulation. We're examining the regulations from the various regulators in the Canadian financial services landscape to see if there is anything impeding new entrants and competition.

“Our report will provide recommendations to regulators and to federal and provincial governments as to how they can enable competition to thrive and potentially make their regulations more nimble, while protecting consumers and maintaining the stability of the financial system.

“Our view is that any time you increase competition in the market, you create greater innovation which enhances productivity and increases GDP,” Brazeau adds.

Brazeau says a key issue identified by workshop participants is the need for fintechs to enjoy open access to Canada's banking and

payment systems so they can access customer data and compete with incumbents. This involves open banking, the use of open APIs to enable consumers to share their banking information with third-party providers.

The UK's Competition and Markets Authority will require UK banks to implement open banking by 2018, while the EU's new Payment Services Directive contains a requirement for open banking.

“We're seeing more movement, especially in the EU, in terms of open data,” says Brazeau. “Canada is still taking a look at open data, but I don't think we are completely there yet with regard to open banking.”

COMPLEX REGULATIONS

“We heard from stakeholders that, while they recognise the legitimacy of individual regulations, it's the volume and complexity of Canadian regulations that creates barriers,” says Brazeau.

“Startups told us the value of regulations is that they make potential customers feel comfortable as the fintech is under the auspices of regulation. But, from a consumer viewpoint, there is complacency about moving to new services provided by fintechs, as people are satisfied with their banks' services. There is also consumer uncertainty about what the protections are if they do transfer to a fintech.”

Canada lacks a national securities industry regulator, so firms wanting to sell securities or mortgages nationwide must register with each province's securities and mortgages regulators.

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ALTERNATIVES

The Department of Finance is responsible federally for banking regulations, with the Office of the Superintendent of Financial Institutions supervising federally registered banks, insurers and trust and loan companies.

Financial Transactions and Reports Analysis Centre of Canada (Fintrac) oversees AML/ATF regulations, and Payments Canada oversees the country's core payments infrastructure.

“We heard from some start-up fintechs that they chose to enter only specific markets in Canada and not others,” says Brazeau.

“This is because the regulatory burden is higher in certain provinces and they don't have the funds or regulatory know-how to operate in a complex regulatory landscape.”

OVER-PRESCRIPTIVE

“We were told that Canadian regulation is very prescriptive, and that Canada might consider taking a more functional approach to regulation and allowing regulators to be more nimble in their approach and allow fintechs who want to collaborate with big banks not necessarily to be caught in the same regulatory schemes as the big banks,” says Brazeau.

“There is a real climate of co-operation between the big banks and fintechs in Canada, and we will draw on this in our recommendations. The banks realise that by collaborating with fintechs, there is a possibility to offer more tailored services to consumers who are keen to look at alternatives.”

Workshop participants said prescriptive regulations can be difficult to implement in a digital environment. If too rigid, they reduce businesses' ability to respond to market demand and regulators' flexibility to adapt to changing conditions.

However, the requirement to open accounts with wet signatures is one barrier to fintech adoption in Canada which has been eased.

The Canadian government amended the Proceeds of Crime (Money Laundering) and Terrorist Financing Act in June 2016 to allow greater flexibility in the methods for verifying identity in non-face-to-face contexts, and enable consumers to open accounts with electronic signatures instead of paper signatures. The new regulations come into effect from June 2017.

Canadian digital ID platform provider SecureKey has received funding from Canada's top banks to build a federated digital ID network for Canadian consumers and

businesses that will allow them to open bank and other types of accounts with mobile devices.

SecureKey already has seven million users of its SecureKey Concierge service, facilitating access to Canadian e-government services.

LEADERSHIP

“One thing we noted in the workshop and in our consultations is the idea of leadership in fintech,” says Brazeau.

“We noticed that a common factor in countries like the UK and Singapore, where fintech has been adopted successfully, is that fintech success depended on the federal government taking a very principled stance in favour of fintechs and getting all the regulators round the table to tackle the issue.”

“Canada must ask itself the question, ‘do we want to become a market leader in fintech, and, if so, what do we need to do at the various levels of government involved, to show leadership and ensure Canada becomes a global leader in fintech?’” Brazeau explains.

“We have the advantage of a very stable financial sector and a highly educated workforce. The Waterloo-to-Toronto corridor [in Ontario] is known for its high-tech leadership and a lot of work is being done in Canada on AI. So there is an opportunity for Canada to develop a niche in fintech.”

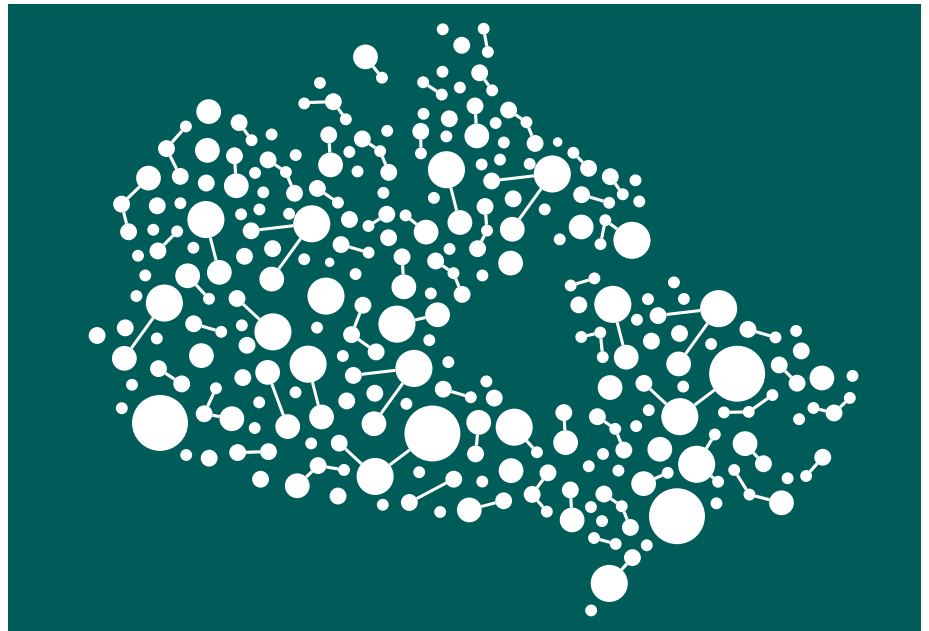
In March 2017, the Canadian government announced C\$125m in AI funding to support AI institutes in Toronto, Edmonton and Montreal, establish ‘deep learning’ research chairs at universities across Canada, set up a national training program and encourage collaboration with industry.

SECUREKEY

“Our view is that the Canadian banks are quite open to working with fintechs and are active with many engagements,” says Greg Wolfond, SecureKey’s CEO.

“SecureKey may be a special case as we are active with all the major FIs, but our colleagues at other fintechs tell us they are active too across many FIs.

“The federal and provincial governments recognise that technology is a vitally important area of growth for Canada. fintech, cybersecurity and health access are vitally important. We encourage the development of programs that assist fintechs to scale-up in Canada and abroad.”



BTL

“Many fintechs are looking to disrupt existing industries, when they should be looking to help innovate, not disrupt,” says Guy Halford-Thompson, CEO of Canadian blockchain technology firm BTL.

“This creates misalignment between fintechs and banks and creates friction and a high barrier to entry.

“Regulation is always going to represent a challenge. Fintechs should be looking initially at applications they can deliver which have minimal impact on regulation. It’s a lot easier to expand an existing platform into regulated areas, than to deliver a new platform into a regulated area from scratch,” Halford-Thompson continues.

If fintechs are looking to disrupt, then they will face competition from the Big Five, but for those looking to innovate, they should be working with the large financial institutions.

“The Canadian government needs to promote and support innovation by incentivising corporations to work with fintechs. Innovation is hard, especially for large companies, and it’s critical that there is government support.”

RESPONSIVE.AI

“For wealth management-focused fintechs, the absence of a National Securities Commission, and the existence of multiple jurisdictions can make registration and on-going compliance more complicated and expensive,” says Davyde Wachell, CEO of Responsive.AI.

“The regulators we have worked with have been very helpful, and focused on creating a good environment for clients. At the same time, it sometimes feels like the landscape is designed to favour larger institutions.

“We’ve had all kinds of conversations with the Big Five and other institutions. We think there is plenty of room for collaboration, and are starting to see some green shoots in that respect.

“The established players have all kinds of folk wisdom and scale to provide value for customers, while the fintechs have new ideas and energy. I think Canadians will win with strong collaborations between the old and new guard,” Wachell adds.

“I think a single point of regulation for fintechs, and a regulatory sandbox like the Hong Kong Monetary Authority’s Fintech Facilitation Office would be very valuable.”

Regulatory sandboxes enable fintechs and regulators to experiment with different regulations to see what their effect is on fintechs. A Canadian example of a sandbox is the Ontario Securities Commission’s OSC LaunchPad which allows fintechs in Ontario to engage in regulated activities for a test period without having to comply with certain security requirements.

“At the risk of being controversial, I think Canadian regulators could go even further in the direction of CRM2 [Client Relationship Model Phase 2] to make financial services more transparent around the issue of cost. Clients still pay billions of dollars in fees they may or may not be aware of.”

CRM2 is a regulatory initiative to provide Canadians with clarity on the fees paid for investments. ■

INDUSTRY INSIGHT: FAST DATA IS THE NEW COMMODITY

Data has always been an important commodity for businesses, but as the digital revolution continues to transform the banking sector the value of data has been elevated to a new level, argues GFT's *Christian Ball*

If oil was considered to be the most valuable commodity at the start of the 20th century, then data is rapidly becoming the 21st-century equivalent.

Banks have always held vast amounts of data inside their institutions, but historically, they have not been good at interpreting and extracting insights to monetise the value of this data.

However, with new regulations and increased competition soon to hit the market, this is set to change.

The drive towards greater competition and reform within the industry – led by the Competition and Markets Authority in the UK and the EU directive PSD2 – requires banks to implement an open banking strategy.

Open banking brings bank data, customer data and third-party providers together. This will transform the relationship between banks and their customers, with the customer experience now at the heart of the new banking model.

To exploit data effectively, banks need to focus on three key areas.

Firstly, they must identify how they can improve the customer experience through data. This means having appropriate messages, at the right time and in the right context for customers.

Secondly, banks must address customer segmentation through the use of 'fast data'. This will give banks a more accurate understanding of their customers and the context in which they consume services.

Finally, data should help banks bring value to their customers in terms of targeting appropriate products and services at competitive prices.

This will be done in real time, with the aim of enhancing the customer experience through the value of data, but also learning and understanding more about the customer.

COGNITIVE BANKING

In a world where we are witnessing the move from human-driven cars to autonomous vehicles, a similar development is taking place in banking.

We are seeing an evolution from banking to autonomous or cognitive banking – one where artificial intelligence and machine learning are changing the customer experience of financial services.

Cognitive banking is about having fast data, and good user experience and interfaces for customers. It also includes automatic or robotic artificial intelligence deployed in executing data quickly, accurately, cost-effectively and predictably, thereby significantly improving the digital banking process.

In the world of digitalisation and the digital economy, cognitive banking expresses all the digital requirements – and more.

As well as providing services in this way, banks must reach conclusions on the engagement strategy with their customer base, either directly or indirectly on real-time data from multiple sources.

This forms part of the cognitive banking process which encompasses the analysis, processing and production of insights resulting in new products and deeper more targeted customer value.

Banks and financial institutions are working towards establishing new business

opportunities by identifying how customers consume and are made aware of products.

Decisions can be made on which additional services can be offered to secure customer loyalty, along with understanding how banks should communicate specifically with individuals through applying more behavioural analytics to segmentation.

If banks apply greater machine learning and artificial intelligence techniques and technology, a far more personalised and focused message is created – one that is targeted more effectively, and comes with the added benefit of improving each customer's appreciation of what their chosen bank can do for them.

FROM BIG TO FAST DATA

Deriving greater value and insight requires 'fast data'. The defining feature of fast data is the rapid gathering and analysis of data in real time. It is about the ability to consume, analyse and execute on the insight generated from multiple data sources.

Unlike big data, which focuses on storage, fast data is a consumption-orientated view and provides a richer context in terms of analysis and decision-making. This allows banks to provide a more enhanced and personalised customer experience.

THE VALUE OF DATA

Faced with the prospect of increased competition from challenger banks and fintechs, the traditional bank must ensure that it utilises data effectively.

In 2015, Francisco Gonzalez, CEO of Spanish bank BBVA, said data was the most competitive advantage that banks have.

He added: "Banks should become data-driven organisations in order to deliver knowledge banking – new and better financial products and services based on information and better suited to every customer's needs and expectations."

Traditional banks can extrapolate valuable data from their large established customer bases and segments – something challengers do not have. They can monetise this data and allow third parties to access segmentation information about their own customer base, detailing consumer behaviour.

This permissive data, which customers have agreed to share, is an important development. The opportunity to sell insights based on segmentation knowledge could become a profitable new revenue stream. ■

JD POWER SURVEY: RBC RETAINS TOP POSITION



Royal Bank of Canada ranks highest in overall customer satisfaction for a second consecutive year among Canada's Big Five banks, just pipping Toronto Dominion to the post. In the Midsize segment, Tangerine tops JD Power's eagerly watched poll for the sixth successive year. *Douglas Blakey* takes a closer look at the results

RBI's global retail bank of the year, Royal Bank of Canada (RBC), has asserted its leadership in the annual JD Power *Canadian Retail Banking Satisfaction Study*.

Now in its 12th year, the report measures customer satisfaction with retail banks in two segments: the Big Five, and Midsize Banks.

This time last year, champagne corks were popping at RBC HQ as the bank knocked Toronto Dominion (TD) off top spot among the Big Five, a position it had held for 10 successive years.

At the time, RBC CEO Dave McKay told the writer that the bank was immensely honoured to have knocked TD off top spot; he will be gratified to see RBC retain top position, as this speaks to the bank's commitment to customer service, reflected in a net promoter score that has doubled in the past decade.

JD Power measures customer satisfaction via seven factors, listed in order of importance: product, self-service, personal service, facilities, communication, financial advisor, and problem resolution. Satisfaction is calculated on a 1,000-point scale.

This year's final results could not have been closer: RBC scoring 760 points out of 1,000, just ahead of TD with 759.

This year's JD Power report also features a Canadian Banking App Satisfaction Study based on five factors, in order of importance: ease of navigation, appearance, availability of key information, range of services, and clarity of information.

In a close-run thing, RBC's app topped the poll with a score of 840, ahead of Scotiabank which scored 835, and Bank of Montreal (BMO) with 833.

Key findings of the 2017 survey include:

- **Canadian banks mastering mobile:** Mobile banking usage among customers has nearly doubled over the past three years, with 43% of Canadian retail bank customers now using mobile banking. Satisfaction with the mobile channel has also improved, with a mobile satisfaction index score of 807 points.
- **Need to look beyond mobile:** More than half (58%) of customers have used four or more interaction channels in the past year. Meanwhile, customer satisfaction declined in 2017 for most channels, including website (-1 point), branch (-10), assisted online (-11), call centre (-13), and automated phone (-15).
- **Benefits of getting the basics right:** Overall satisfaction scores are 83 points higher among customers who were greeted at the branch entrance, and 63 points higher among those whose teller addressed them by name, yet just 60% of customers say they were greeted at the door and just 47% say they were addressed by name.
- **Certain changes can negatively affect trust:** Banks can harm the level of trust that is established with their customers when they make changes to agreed-upon terms of financial accounts and products. The introduction of new fees is associated with a 50-point decrease in overall satisfaction, while changing the amount of existing fees is associated with a 45-point decrease. Changes to interest rates cause overall satisfaction scores to fall 31 points.

In the mid-sized banking survey, Scotiabank's digital subsidiary, Tangerine, with a score of 820, performed particularly well

in product, personal service, self-service and communication. President's Choice Financial ranked second with a score of 801.

The 2017 report is based on responses from more than 13,000 customers who use a primary financial institution for personal banking and was conducted in March and April. The app satisfaction survey was based on responses from more than 1,600 m-banking users." ■

JD POWER 2017 CUSTOMER SATISFACTION SURVEY – CANADA

OVERALL SATISFACTION – THE BIG FIVE

RBC	760
Toronto Dominion	759
Bank of Montreal	753
CIBC	750
Scotiabank	747

SATISFACTION – MOBILE BANKING APPS

RBC	840
Scotiabank	835
Bank of Montreal	833
Toronto Dominion	832
CIBC	830

CUSTOMER SATISFACTION – MID-SIZED BANKS

Tangerine	820
President's Choice	801
ATB Financial	779
National Bank of Canada	764
Laurentian	750
HSBC Canada	745

Source: JD Power

BRANCH TECHNOLOGY: BANKS NEED TO INVEST TO IMPROVE SATISFACTION

For a number of reasons, UK customers still claim to want access to bank branches. Backlash against closures has, in some cases, been strong enough to drive the growth of alternative solutions to cost-cutting, like mobile branches. **Graham Lloyd**, Industry Principal of Financial Services at Pegasystems looks at some newer options

How can banks keep branches economically viable, without the support of US-style fees, but with the added complexity of falling traffic? And what technology is being used by UK banks to improve the in-branch experience to maintain footfall?

Firstly, they must uncover and understand what makes a branch attractive to a customer over time. In Australia, for example, a significant percentage of customers say they would permit a price premium if this means they can find the legendary service levels of yesteryear where they were known and loved. We also know that customers are willing to pay to reduce the time and inconvenience of 'dealing with financial stuff', and branches can offer salves here every bit as good as technology.

In terms of the delivery of retail banking services, it is critical to combine the technology with expectations of a branch experience in an effective and cost-efficient way. In a recent study from Pegasystems, *The Future of Retail Financial Services*, senior banking and insurance executives suggested that branch-based avatars, the use of beacons, and facial recognition will all help improve branch customer satisfaction by helping to streamline as well as personalise the branch experience.

The use of beacons can help to ensure more timely assistance and a seamless flow through the premises, by alerting staff when customers enter the branch, while simultaneously analysing customer propensity to use self-service kiosks and ATMs.

By providing staff with tablet technology, banks give them greater flexibility in how they can serve their customers and can make

the branch a less formal environment, for example by using them to find information or demonstrate tools to customers. Using technology like tablets contributes to the modern omni-channel experience and can make the activity of banking a more enjoyable and quicker task.

Some organisations are already using remote tellers in their branches whereby customers engage with remote staff via video, which means customers still feel as though they are receiving a personal service. The benefits of remote tellers are twofold: banks can afford to extend hours because they do not have to employ as many people, and they can reach a greater audience, but at a lower cost.

Another excellent integration of technology into retail banking is via smart ATMs, which offer mobile cash withdrawals without the use of a debit card. Again, this can make the activity of cash withdrawal quicker and easier for the consumer. It also removes the issue of forgetting or losing a debit card and not being able to withdraw cash in an emergency.

FUTURE PERFECT?

This future may not be too far ahead: already Japan's biggest bank is trialing humanoid robot employees. The robot, Nao, is programmed to speak 19 languages and, through a camera on his forehead, analyses customers' emotions from their facial expressions and tone of voice.

Nao greets Mitsubishi UFJ Financial Group customers, quickly assessing their language needs, asking which services they need and, using stored insight into more than 5.5 million customers and over 100 different products, can then route customers

to the appropriate staff member based on past experience, products utilised or current mobile activity.

This is not just a gimmick: Nao uses each interaction to learn a customer's preferences and personality, enabling it to increase the accuracy of each subsequent interaction. And it may evolve further still: in some European retail shops, technology is being used to measure changes in the moisture levels of customers' palms, as this is believed to help pinpoint the moment of decision.

There are wider benefits of intelligently applied technology, too. Most obviously, the reduction in error rates leads directly to a reduction in capital allocated against operational risks, as well as its attendant costs. Perhaps most welcome to regulators, banks and customers alike, however, will be the visible reduction in compliance breaches; avatars and AI-driven actions do not generally miss-sell, forget or defalcate!

The bottom line is that customers still value the ability to visit their bank and receive face-to-face financial advice. With the right software, banks can gently redefine what 'face-to-face' and 'advice' mean, and can provide an attractive and innovative in-store experience for customers. Done properly, banking in-branch can become as powerful as an extension of their digital offering and selling points, but without the costs and error rates.

While organisations are aware that serial waves of disruption leave them little option but to change their operations, worryingly, we find too many are moving too slowly, either from an excess of caution or complacency. Those that do integrate technology soonest are the ones that prove to have their customers front of mind. ■

JULY NEWS

WELLS FARGO TO TRIAL NEW DIGITAL PLATFORM TO SIMPLIFY CUSTOMERS' ONLINE EXPERIENCE

Wells Fargo has announced plans to pilot a new digital banking platform, Control Tower, that will allow customers to monitor their "digital journeys".

Control Tower will offer users a unified view of consumers' digital experiences, helping them track where and when their payment information is shared – including third parties, mobile wallets, devices or subscriptions. Customers will be able to control their digital activity using the platform's on-off function.

The platform will be trialled with the bank's team members later in 2017, with launch expected in the next year.

Wells Fargo president and CEO Tim Sloan said: "Customers currently have their payment information stored in numerous places online.

"If you lose a card or want to update a billing address, you're expected to go on a journey of self-discovery to remember all the different places your financial information is stored, which can be time consuming and complex.

"Wells Fargo is reimagining the future of personal finance to deliver an experience that is secure and convenient, and provides customers a central hub for better control, simplicity and transparency." ■

CITI TO TRIM BRANCH NETWORK IN SOUTH KOREA

Citibank Korea, the South Korean subsidiary of US bank Citigroup, is set to shutter 90 branches.

The unit originally planned to close 101 retail banking branches out of a total of 126 branches that operated in the country. The latest plan will retain the bank's

branches in the North Chungcheong, South Gyeongsang and Jeju provinces.

The unit has also agreed with unions to not carry out layoffs without justifiable cause. As part of the agreement, the bank will also increase wages by 2.7% and regularise 347 contract workers. ■

Bank of England opens up payments system to non-banking players

The Bank of England (BoE) has opened up the UK's Real-Time Gross Settlement (RTGS) payment system to non-banking payment service providers (PSPs) in a bid to encourage competition and innovation.

Non-bank PSPs will now be allowed to apply for a settlement account in the RTGS system, which manages bank-to-bank payments. That will give them direct access to the UK's sterling payment systems that settle in sterling central bank money.

The move will allow non-bank PSPs to offer a broader range of services, and will lower their dependency on banks for access to payment systems, the central bank said. The BoE is currently working with regulatory bodies

and payment system operators to design a comprehensive risk-management framework to ensure protection for the RTGS service as new providers enter the industry. Non-bank PSPs are expected to start joining the RTGS service from 2018.

BoE governor Mark Carney said: "I am delighted that the Bank of England, the FCA and HM Treasury are working together to stimulate competition and innovation in payment services by widening access to the UK's payment systems to non-bank payment service providers.

"In parallel this should support financial stability through greater diversity and risk-reducing payment technologies." ■

UK TO BAN CREDIT AND DEBIT CARD SURCHARGES

The UK government is set to introduce rules aimed at scrapping "rip-off" card charges that costs consumers hundreds of millions of pounds per year.

From January 2018, surcharges for card payments – where people can be charged 20% extra for purchases such as flights just for paying with a credit card – will no longer be legal.

Surcharging is common across the UK, and has been used by shops, restaurants and other service providers at the direct expense of customers who choose to pay by card. The new rules will apply to consumers paying with Visa, MasterCard, PayPal and American Express cards.

HM Treasury said: "While many industries have acted to absorb the cost and not pass these on to consumers, these rules will bring an end to the practice entirely. The rules will also tackle surcharging by local councils and government agencies."

According to one estimate, the total value of surcharges for debit and credit cards stood at approximately £473m (\$613m) in 2010.

The Economic Secretary to the Treasury, Stephen Barclay, said: "Rip-off charges have no place in a modern Britain, and that's why card charging in Britain is about to come to an end. This is about fairness and transparency, so from next year there will be no more nasty surprises for people at the checkout just for using a card.

"These small charges can really add up, and this change will mean shoppers across the country have that bit of extra cash to spend on the things that matter to them.

"The government has previously capped costs that businesses face for processing card payments, and will engage with retailers to assess if there is any more that can be done to help," Barclay added. ■

URBAN FT SNAPS UP TECH BUSINESS IPARSE



New York-based digital payments platform Urban FT has completed the acquisition of iParse, an Oregon-based mobile banking technology provider.

iParse, which holds several mobile banking-related patents, will now operate as a separate division of Urban FT. iParse staff, with the exception of its founders who will retire, will join the combined group as part of the deal.

Urban FT CEO Richard Steggall said: "The iParse tech strategically complements Urban FT's suite of white-label mobile banking solutions by providing a proprietary way to bypass core processor integration, while delivering a robust mobile banking service for financial institutions to offer to their customers.

"We're calling this newest Urban FT deployment option our 'mobile banking plug-in' solution, and it's a game changer because now credit unions and banks of any size can play – and play competitively – in the mobile banking space."

Urban FT president Kasey Kaplan said: "The iParse solution simulates integration by helping financial services providers plug into the core instead of carrying out core processor integration that can prove to be too costly and risky."

Steggall added: "By partnering with Urban FT, processors can monetise what's been unmonetisable until now and give their smaller clients an important new service opportunity – at a reasonable cost and without significant operational impact,"

Urban FT plans to deploy the mobile plug-in option in the next two months. It also expects to increase its client base from 75 to in excess of 150 within the coming year. ■

BAWAG TO ACQUIRE SUEDEWESTBANK

Bawag, an Austria-based bank majority controlled by Cerberus Capital Management, has agreed to acquire German lender Suedwestbank for an undisclosed sum.

Set up in 1922, Suedwestbank currently has 28 branches and a workforce of around 650. The bank, which is majority owned by Santo Vermögensverwaltung, reported an asset value of over €7bn (\$8.2bn) at the end of 2016.

Suedwestbank offers a range of services including retail, corporate banking, along with asset and wealth management. It

caters to nearly 100,000 retail and business customers in Baden-Württemberg. The deal is scheduled to complete this year, subject to regulatory approvals.

In a statement, Bawag said: "The expertise and long-standing tradition of Suedwestbank, which operates in a very strong economic region of Germany, make the bank an ideal partner to help us expand our footprint and customer base.

This transaction is part of our larger DACH regional strategy and will provide us access to excellent customers in a highly attractive market." ■

OCBC Bank debuts QR code transfers

OCBC Bank has introduced QR code fund transfers with its Pay Anyone mobile app, removing the need to share phone or NRIC numbers.

Customers registered with PayNow can create and send personalised QR codes through the OCBC Pay Anyone mobile app via social networking apps or email when a payment is requested.

The payer can immediately scan the QR code which can be seen on the payee's phone and complete the transfer. The bank has set a transfer limit of \$1,000 per day.

The bank said the newly launched feature will give users a "seamless and frictionless" experience, as it will facilitate authentication using the payee's and payer's fingerprints.

OCBC Bank head of E-Business Aditya Gupta said: "Cashless is the new normal. We believe the recent launch of PayNow is an inflection point for driving cashless payments



behaviour in Singapore, and we have integrated that with OCBC Pay Anyone to offer our customers the additional convenience of QR code peer-to-peer payments.

"We will continue to push the boundaries on mobile payments and move the needle in making Singapore a cashless society," continued Gupta. ■

NCR INTRODUCES COMMUNITY BANK SERVICES

NCR Corporation has launched new turnkey managed services to simplify the operations of community financial institutions (CFIs) in the US. The company claims its new offering will "take the guesswork out of" monitoring, maintaining, securing and managing ATMs and drive outcomes and insights for CFIs while lowering costs.

The managed services will enable CFIs to deliver "superior availability, minimise failed customer interaction, ensure enhanced regulatory compliance while

reducing security risk profiles", while cutting costs by monitoring and managing cash at ATMs.

NCR's VP of financial sales for North America, Chris King, said: "The challenge that CFIs face is how to deliver world-class customer service at the lowest possible cost. Driving profitability requires banks to consistently manage every element of the self-service channel. NCR's new managed offers help CFIs stretch their available resources to provide the best possible experience with their ATM network." ■

FINO PAYMENTS BANK BEGINS OPERATIONS

Fino Payments Bank, the payment banking venture of Fino Paytech, has launched operations with 410 branches in 14 states and 25,000 touch points in India.

The new bank, which received its final licence from the Reserve Bank of India (RBI) in March 2017, will provide current and savings accounts, remittances, business correspondent lending, mobile banking, life and general insurance, as well as bill payments. It will offer interest rates of 4% on savings accounts.

The bank eventually plans to expand its footprint to 100,000 touch points and over 1,000 branches. It also targets a customer base of 3-4 million in its first year of

operation, and intends to increase it to 50 million over the next five years.

The payments bank has teamed up with Bharat Petroleum to expand its reach, and with ICICI Bank to gain access to products such as term deposits, home loans, joint-liability group loans, and loans to micro, small and medium-sized enterprises.

Fino Payments Bank MD and CEO Rishi Gupta said: "We aim to become the first profitable payments bank following a multi-product, multi-platform and partnership strategy that adds tremendous value to our customers."

Fino is India's fourth payments bank, following Airtel, Paytm and India Post. ■

ANZ ADDS SAMSUNG PAY OPTION

Australia and New Zealand Banking Group (ANZ) has partnered with South Korean tech giant Samsung Electronics to offer Samsung Pay as a mobile payment option.

ANZ customers with an eligible Visa credit or debit card can use Samsung Pay to easily make secure purchases wherever contactless payments are accepted.

With the addition of Samsung Pay, ANZ has become the only bank in Australia to offer four payment solutions, including Apple Pay, Android Pay and its Android-based ANZ Mobile Pay.

Commenting on the partnership, ANZ's MD of products, Bob Belan, said: "Our

customers have been asking for this and we have listened.

"It made sense for us to introduce Samsung Pay in Australia, given its strong market share and open approach to technology that its customers highly value.

"ANZ customers are now best placed to select which mobile payment service they want to use, and with the addition of Samsung Pay we continue to offer the best range of the major banks in Australia."

Samsung Pay can be used with a compatible Samsung device, including the Galaxy S8 and S8+ smartphones, and the Gear S3 smartwatch. ■

Swissquote introduces virtual currency trading to its online platform

Switzerland-based online bank Swissquote has launched Bitcoin trading on its platform, a move that is being billed as a major step in virtual money's integration into the traditional financial system.

Clients of the Swiss bank will now be able to exchange euros and US dollars into Bitcoin using their trading accounts, but without access to leverage. With the lack of leverage, there is no risk of users losing more than their invested amounts.

Clients can trade from five units of base currency to a minimum of \$100,000 or €100,000. The trading fees vary between 0.5

and 1% of the transaction's value, depending on the total amount invested.

Swissquote has collaborated with Luxembourg-based cryptocurrency exchange Bitstamp to facilitate Bitcoin trading.

Swissquote CEO Marc Burki said: "Many investors are interested in cryptocurrencies, but are afraid to trade them. The players in this market are mostly little-known, and require a transfer of funds to a foreign account.

"As a Swiss bank we offer our clients a simplified, transparent process, without foreign transfers, that is within reach of everybody," Burki added. ■

BNY MELLON APPOINTS FORMER VISA HEAD



BNY Mellon has appointed ex-Visa head Charles Scharf as its new CEO, effective immediately. He will also become chair of the board, effective 1 January 2018.

Scharf, who was CEO of Visa between October 2012 and December 2016, will replace Gerald Hassell, who will continue to act as chair until 31 December 2017 to facilitate a smooth transition of responsibilities.

Before joining Visa, Scharf was MD at One Equity Partners, JPMorgan Chase & Co.'s private investment arm. He was previously CEO of Retail Financial Services, one of JPMorgan Chase's six business lines.

Commenting on the appointment, Hassell said: "Under Charlie's leadership, Visa transformed its technology platform by opening access to its network and capabilities, partnered with the world's leading technology companies to drive new payment experiences, introduced new technologies to improve payment system security and built a world-class management team. Charlie is ideally suited to lead BNY Mellon through the next phase of growth.

"It has been a privilege to lead BNY Mellon over the past six years. During this period, we have strengthened our position as a global leader in investment management and investment services and have delivered consistently against our 2014 Investor Day goals," Hassell added.

Scharf said: "I am honoured to have been selected and am looking forward to working with the senior management team, the board of directors, and all of the employees at BNY Mellon.

"I am especially honoured to follow Gerald as I have great respect for him as a person and as a leader. I look forward to his advice and counsel and will work closely with him to ensure a smooth transition." ■

JPMorgan CEO warns of Brexit moves

JPMorgan CEO Jamie Dimon has warned that the company may have to move more employees out of London than originally planned because of Brexit, if ordered to do so by the EU.

Speaking at a conference in Paris, Dimon warned of moving several hundred jobs from the UK, where it employs 16,000 staff.

“What happens next is totally up to the EU; it’s not up to Britain.

“And so once you have that first step, if the EU determines over time that they want to start to move a lot more jobs out of London into the EU, they can simply dictate that. The regulators can dictate it, the politicians can dictate it,” he said.

Immediately before the Brexit vote in June 2016, Dimon warned of 4,000 banking job cuts in the UK if it chose to quit the EU. However, in April 2017 it backtracked on its warning, saying it did not expect to move many employees out of the UK in the next two years.

At the same time, Dimon said relocated employees could be spread throughout Europe, although the bank has earmarked Frankfurt as its legal hub.

“Where your legal entity is based is not where your people are based. The people could be in Paris, in the Netherlands, or Madrid or anywhere in the EU. We have not decided yet,” he noted. ■

SUMITOMO MITSUI COMMITS TO FINTECH

Sumitomo Mitsui Financial Group and Sumitomo Mitsui Banking have joined with New York-based venture capital fund Entrepreneurs Roundtable Accelerator (ERA) to support business development and technology innovation.

Under the partnership, the bank has invested in ERA’s new investment funds. The bank said that by working with the US firm, it aims to build closer ties between New York and Japanese firms and establish

the two markets as centres of technology innovation.

The bank said the move represents its “first investment in a New York City-focused venture capital fund, and its first investment in a US-based technology accelerator”.

ERA has 140 portfolio companies, Sumitomo said, which operate in various market segments and have a total market capitalisation of \$1.3bn. ■

BANK LEUMI UNVEILS NEW DOWNSIZING PLAN



Israel’s Bank Leumi has announced plans to further trim its workforce by around 500-600 in a bid to improve operational efficiency.

The downsizing exercise will be executed through a voluntary retirement programme, and is scheduled to complete by the end of 2017.

The retiring employees represent around 5% of the bank’s total workforce. They will be provided early pension arrangements until the legal retirement age, or extended severance compensation.

The bank expects the move to cost between NIS500m (\$141.4m) and NIS600m, which will be spread over a five-year period.

The latest move, which had already secured approval from the bank’s board, comes on top of another downsizing programme that led to the departure of around 2,200 employees between 2012 and 2016. The reduction, along with other measures, helped the bank improve its cost-income ratio from 72% in 2012 to 65% in the first quarter of 2017.

Leumi is also carrying out process improvements, business line consolidation, and technological upgrades, as well as decreasing its use of real estate. It expects all these measures to further improve its cost-income ratio.

Bank Leumi CEO Rakefet Russak-Aminoach said: “Along with the focus on the bank’s core business, the continuing efficiency process is a significant pillar in adapting the bank to the changing, competitive and dynamic environment.

“As always, the retirement process will be carried out in consideration and full co-operation with Leumi’s employees’ representatives.” ■

BNP PARIBAS CLOSES COMPTE-NICKEL DEAL



French banking group BNP Paribas has acquired a controlling stake in Financière des Paiements Électroniques (FPE)’s French online bank, Compte-Nickel, following receipt of regulatory approval.

The terms of the deal, which was originally announced in April 2017, have not been disclosed.

BNP has now bought an 89.1% stake in Compte-Nickel, with plans to increase the holding to 95% by the year-end. The remaining interest will be owned by

Confédération des Buralistes de France. The deal will complement BNP’s branch network offering, and its digital Hello bank!

“The synergies created by this merger will enable Compte-Nickel to go further and faster in its drive to attract new customers, with a target of 2m accounts by 2020,” the French banking group said in a statement.

Meanwhile, Compte-Nickel has extended its alliance with the Confédération des Buralistes de France for 10 years. ■

DATA MONETISATION: WHAT THE EXPERTS CAN TEACH BANKS

Data – what to do with it, where to put it? It has been a conundrum for banks for years. *Augusto Negrillo*, CEO of business technology change consultancy Certeco, looks at how banks can benefit from this precious information

Since the birth of the technological revolution, organisations have been gathering data at a rate of knots – personal customer data, purchasing behaviour, financial information – it is all there, in big data centres, quietly ballooning in size.

But it is only recently that rather than seeing it as a stream of consciousness, financial institutions have begun to realise data is an important asset, which can be monetised.

So what exactly is data monetisation? It is an umbrella term referring to the value organisations can extract from data – both in terms of revenue as well as brand value through differentiation.

It might be helping banks get an extra edge over the competition through selling smarter – finding out about customer buying patterns and then using that data to create cross-sell or upsell opportunities, creating ‘stickiness’ and increasing customer loyalty.

Data monetisation can also help them to spot when fraudulent activity is happening on an account – they can alert the customer and put a stop to it, helping the bank stem revenue leak. And they can use it externally, to help support digital advertising or for packaging data and selling it on to third parties, creating extra revenue that way.

Are banks doing it already? Sure they are. But it is difficult. They face challenges. Take the legacy system issue. Most of our high street banks operate on a veritable Spaghetti Junction of systems.

Mortgage data might be stored on a mainframe in Southampton and corporate data in Scotland. It has been – until the advent of fintech – very difficult to create

an organisation-wide view of data for many banks. Obviously challenger banks are not dogged with the same problem. But still, we would not say banks are the data-monetization masters, not by a long stretch.

DATA GOLDMINE

Let us take a look at the early adopters, like Chinese e-commerce behemoth Alibaba, created by ex-English teacher Jack Ma. This summer it forecast that its annual revenues would grow by between 45% and 49%, adding \$42.25bn to its value, largely down to its data goldmine.

The company’s services range from shopping and movies to finance and logistics, gathering up people’s spending, saving and viewing habits. Once that data is cleaned and sharpened up, it is sent back to the merchants who sell on the Alibaba platform, who then use it to better target their wares.

Analysts have called this a “potent marketing platform”.

Alibaba also has a presence in the real world, so it is able to combine online and physical data to gain a full 360-degree view of its customers.

And it is not just Alibaba. Tech giants like Google, Amazon and Facebook are also really well versed in data monetisation.

Will banks forever be on data-monetisation catch-up? Or will they eventually be able to play ball with the very profitable technology giants? They certainly are not taking it lying down.

Cloud take-up has been significant in the financial services arena in the last few years, with banks, insurers and other institutions moving to cloud platforms.

Using the cloud can help them circumvent any legacy system issues that might exist. The advent of open banking and the move towards open application program interfaces and open-source architecture is another big step in the right direction for the banks.

Open banking is based on the premise that customers want to view their banking information in non-traditional ways – they might want to view real-time account balances when they are using an e-commerce app, for example.

The basic premise is that customers have as many tools as possible with which to review or understand their finances. To do this, banks have to share customer data with third-party companies or apps, securely and in real time.

Of course, for banks – and any other organisations headed down the data-monetisation route – in addition to legacy systems, there are other obstacles that stand in the way.

Poor-quality data is always an issue, for example, which means banks have to be committed to continual data-cleansing programmes. Data overload can also be a problem – there is so much data, identifying what is meaningful is tough.

But these are all challenges that have to be – and will be – faced down.

In this increasingly competitive landscape – where the high-profile big data operatives such as Google and Amazon are threatening to enter the fray – the ability to monetise data will spell success or failure.

Having the right data-monetisation strategy in place and putting in the right combination of systems and processes that will help banks to deliver that strategy is vital.

Data is an asset – their most valuable asset. The quicker banks realise that, the better. ■



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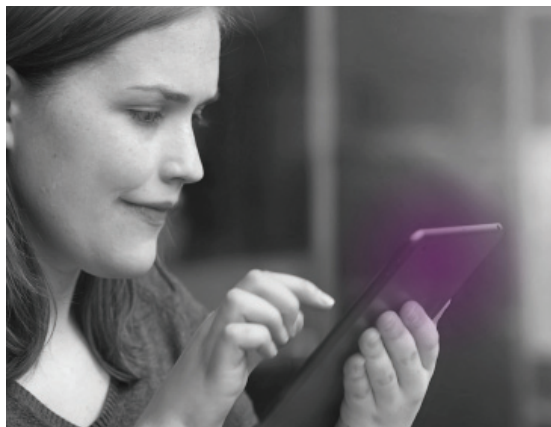
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